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PSC Finalizes Audit of Major Utilities Con Edison, O&R

Audit Examined Information Systems Planning and Implementation, Improvements to Support Clean-Energy Goals, Contractor Oversight, and Coordination with Municipalities

ALBANY — The New York State Public Service Commission (Commission) today accepted and made public an independent, third-party management and operations audit of Consolidated Edison Company of New York, Inc. (Con Edison) and Orange and Rockland Utilities, Inc. (O&R). The audit focused on areas that will provide the highest value, while remaining consistent with the statutory directive to review the utilities' construction program planning and operational efficiency. Other areas examined included information systems planning and implementation, improvements to electric load forecasting processes to support clean-energy goals, contractor oversight, and coordination with municipalities.

"The Commission operates a robust management and operations audit program that includes regular comprehensive management and operations audits, focused operations audits, and statewide utility comparisons," **said Commission Chair Rory M. Christian.** "The scope of this audit focused on areas which should provide the highest value, while remaining consistent with the statutory directive to review the companies' construction program planning and operational efficiency."

Notable findings from the audit include:

- Con Edison's long-range plans describe a significant business transformation to become a clean energy company adopting New York State's CLCPA goals. Still, the auditor found that long-term planning is not well aligned with short-term planning.
- The auditor discovered that Con Edison and O&R prioritize leak-prone pipe replacement by several variables, including geographical area, emergent work, and risk. The auditor recommends that risk be the primary factor used in pipeline replacement prioritization.
- Con Edison and O&R have implemented software to improve estimating accuracy, but NorthStar found they need to actively track the accuracy of the estimated project cost or schedule.
- The auditor found that Con Edison's management variable pay incentive program and O&R's annual team incentive plan use quantifiable goals to promote the corporate mission, safety and reliability, environmental goals, and Commission objectives; however, the programs could be better constructed to promote continuous improvement.

The Commission last completed a comprehensive management audit of Con Edison and O&R in 2016. The companies also participated in two statewide operations audits along with other large

investor-owned utilities in New York. The companies have completed the implementation of all recommendations from these three audits.

The law provides the Commission the authority to conduct management and operations audits of natural gas and electric utilities and requires such audits at least once every five years for large electric and natural gas utilities. Con Edison also provides steam service to customers in New York City. While this audit only reviewed the electric and natural gas operations, Con Edison may be able to apply relevant findings and recommendations to its steam business as well.

The management audit approach in New York includes, but is not limited to, a prospective investigation of the construction program planning process and an evaluation of operational efficiency with a focus on opportunities to improve performance. NorthStar Consulting Group, the selected auditor, analyzed current and historical information to identify opportunities to improve existing processes, practices, systems, and organizational structures to drive better performance.

The audit focused on the electric and gas utility services in New York State. Con Edison's electric service territory includes all of New York City, with the exception of a section of Queens, and the majority of Westchester County. Electric service is provided to approximately 3.5 million customers in a 660 square mile service area. The company's gas service territory consists of Manhattan, Bronx, parts of Queens, and most of Westchester County; and supplies approximately 1.1 million customers in those areas. O&R's electric service territory is located in southeastern New York. O&R's gas service is concentrated in southeastern New York and supplies approximately 100,000 customers.

In September 2021, the Commission selected NorthStar Consulting Group to perform the audit. Consistent with Public Service Law, the two utilities will file an implementation plan within 30 days of the issuance of the audit report. Once filed with the Secretary, staff will review the implementation plan to ensure it addresses the underlying findings in the audit report. The implementation plan will be submitted for public comment through the SAPA process. The implementation plan, including any revisions resulting from staff's review and further refinement by the utilities, will be presented to the Commission at a future date for approval or modification.

Today's decision may be obtained by going to the Commission Documents section of the Commission's Web site at www.dps.ny.gov and entering Case Number 21-M-0193 in the input box labeled "Search for Case/Matter Number". Many libraries offer free Internet access. Commission documents may also be obtained from the Commission's Files Office, 14th floor, Three Empire State Plaza, Albany, NY 12223 (518-474-2500). If you have difficulty understanding English, please call us at 1-800-342-3377 for free language assistance services regarding this press release.